argue that to preserve the trade of the city without banking was not only difficult, but impossible."

These early banks first did business with their own money and then with deposits, like the London goldsmiths at a later date. The use of the deposits was not at first intended to economize cash, but simply to avoid its frequent handling. The transfer of credits upon the books of the bank transferred the title to cash in the custody of the bank, and, so far as this rule had been violated by grants of credit to persons who had not deposited cash, it was treated by Contarini as a grave abuse. He saw in the banking system only a method of transfer by book accounts, by which "buyer and seller are satisfied in a moment, while the pen moves over the page, whereas a day would not be enough to complete the contract for a great mass of merchandise by counting a great number of coins." * Notwithstanding the attempt to keep banking within these limits, the bankers employed the money entrusted to them in more or less speculative ways, and an act of 1374 forbade dealings in certain specified commodities or the opening of credits for such dealings. The banks came by degrees to make advances to the state and to grant credits to merchants and traders without full cash security. They thus became substantially banks of issue. They did not formally issue notes, but banking credits came to constitute certificates of deposit which circulated as currency.

The creation of the Bank of St. George at Genoa and the bank at Milan were due in some degree to the survival of the Roman system of farming the taxes. A single individual was hardly equipped with sufficient capital to carry on the large operations involved, and associations were formed for dealing with the state on the one hand and the taxpayer on the other, which became the nucleus of larger banking operations. Thus great financiers grew up, who dominated the politics as well as the finance of European states as soon as •centralization had reached a point which called for a paid

[1] Dun bar, *Quarterly Journal of Economics,* April, 1892, VI., 314.